THE FOREST INDUSTRY SNAPSHOT:

Ministry of Forests, Lands and Natural Resource Operations

April 2012

A Selection of Monthly Economic Statistics

BRITISH COLUMBIA

Points of interest:

Rising Lumber Prices and Lower Softwood Lumber Export Tax

Increasing demand and the two recent B.C. mill fires *(the Burns Lake sawmill owned by Babine Forest Products on January 22, 2012 and Lakeland sawmill in Prince George owned by Sinclair Group on April 23, 2012)* have increased **lumber prices** in North America. **SPF 2x4** averaged US$280/000 bd ft and Random Lengths Framing Lumber Composite averaged US$303/000 bd ft in April 2012.

Under the terms of the 2006 Softwood Lumber Agreement (SLA), the trigger for a reduction in the export tax for Canadian softwood products going into the U.S. has been reached. **Starting June 1, the export tax will drop from 15% to 10% in western Canada**, and to 3% from 5% for the rest of the country. Should lumber prices continue to rise or remain firm in the next few weeks, that lower tax level will be maintained or could drop even further (*source: Madison's Lumber Reporter and Random Lengths*).

Increasing U.S. Housing Starts

U.S. privately-owned housing starts totalled 717,000 units SAAR in April, **up 29.9%** from April 2011 SAAR. Single-family starts totalled 492,000 units SAAR in April, up 18.8% Y/Y ; Multifamily starts totalled 225,000 units SAAR, up 63.0% Y/Y.

For the first 4 months of 2012, U.S. privately-owned housing starts totalled 218,500 units, up 25.2% from 2011 YTD. The actual starts for 2011 were 608,800 units (*source: U.S. Department of Commerce*).

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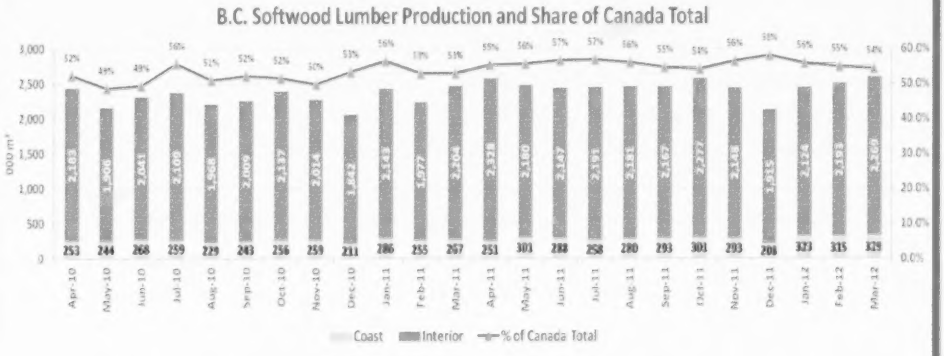
SOFTWOOD LUMBER MARKET



*Data sources: Madison's, US Census Bureau and Statistics Canada. * privately-owned housing starts, SAAR.*

- **U.S. privately-owned housing starts** in **April** were at a seasonally adjusted annual rate of 717,000. This is 2.6% above the revised March rate, and is **29.9% above** the April 2011 rate. **Sales of new homes** in the U.S. were at a seasonally adjusted annual rate of 328,000 in March 2012, down 7.1% M/M and up 7.5% Y/Y. **U.S.** seasonally adjusted **unemployment rate** was 8.1% in April 2012, down from 9.0% one year ago. (*from U.S. Census Bureau and U.S. Bureau of Labour Statistics*).
- **SPF 2x4 price increased further to US$280** ($278) in April 2012, up 0.8% M/M and down 8.4% Y/Y. The Canadian dollar averaged $0.9926 per US$ in April 2012.
- In March 2012, **B.C. softwood lumber production** totalled 2.60 million m³, up 3.6% M/M and up 5.2% Y/Y. 87.3% of the production was from the Interior.
- In March 2012, **B.C. softwood lumber export value** totalled $351 million, down 2.2% Y/Y. **B.C. softwood lumber export volume** totalled 2.15 million m³, up 5.5% Y/Y. The top three destinations for softwood lumber exports in March 2012 were: U.S. (value: 44.9%; volume: 49.5%), China (value: 25.9%; volume: 32.3%), and Japan (value: 16.9%; volume: 10.0%).

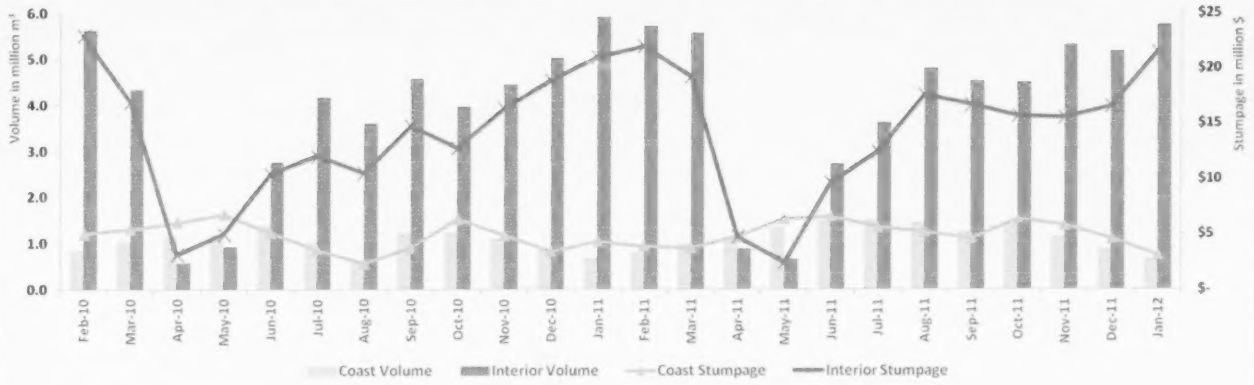
Common Abbreviations:

**$** - Canadian dollars unless noted as US$
SAAR - seasonally adjusted annual rate
China - refers to China, including Hong Kong
M/M - % change from the previous to current month
Y/Y - % change from the same month in the previous year to the current year
YTD - year to date

 The information in this report was compiled from a variety of sources by the MFLNRO Competitiveness and Innovation Branch. Data contained in this report is not intended to have any predictive capacity.

HARVESTING

B.C. Crown Land Monthly Harvest Volume* and Stumpage Revenue Collected



Data source: Harvest Billing System of Ministry of Forests, Lands and Natural Resource Operations

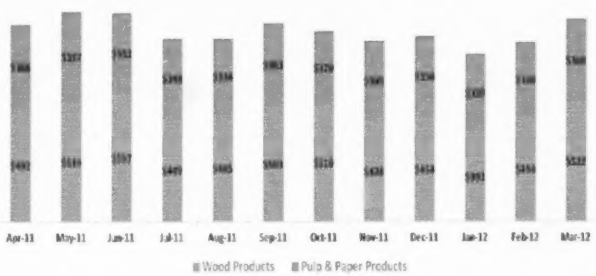
**Based on scale data, all logs (BCTS & Major), special forest products, species and grades billed to Crown land excluding waste, reject and Christmas trees. Data in recent months is subject to change.*

COAST **harvest volume** for all land (including Crown, private and federal) totalled 1.06 million m³ in January 2012, down 2.3% Y/Y. Crown land harvest volume totalled 0.67 million m³, down 1.9% Y/Y. **Stumpage revenue** collected was $3.08 million in January 2012, down 28.2% Y/Y.

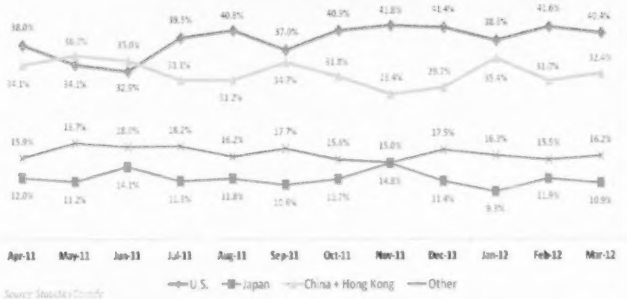
INTERIOR **harvest volume** for all land (including Crown, private and federal) totalled 5.82 million m³ in January 2012, down 2.5% Y/Y. Crown land harvest volume totalled 5.74 million m³, down 2.7% Y/Y. **Stumpage revenue** collected was $21.44 million in January 2012, up 2.2% Y/Y.

EXPORTS

B.C. Forest Product Export Value ($million) by Sector



Share of B.C. Forest Product Export Value



B.C. forest product exports totalled $882 million in March 2012, up 13.1% M/M, down 5.3% Y/Y, and down 0.9% YTD from 2011:

- **Wood product exports** totalled $522 million in March, up 14.9% M/M, up 0.7% Y/Y, and up 3.7% YTD from 2011; and
- **Pulp & paper product exports** totalled $360 million in March, up 10.6% M/M, down 12.9% Y/Y, and down 6.5% YTD from 2011.
- **Export value shares by product** in March 2012: Softwood Lumber (39.8%), Logs (6.3%), Other Wood Products (13.1%), Pulp (30.1%), and Other Pulp & Paper Products (10.8%).

In March 2012, **U.S. was the largest destination market** for B.C. forest product exports value with a share of 40.4%, while China accounted for 32.4%, Japan accounted for 10.9% and other destinations accounted for 16.2%.

- **Exports to U.S.** totalled $356 million, up 9.8% M/M, up 3.0% Y/Y and up 4.4% YTD from 2011.
- **Exports to China** totalled $286 million, up 18.2% M/M, down 6.9% Y/Y and remained the same YTD from 2011.
- **Exports to Japan** totalled $96 million, up 4.1% M/M, down 3.8% Y/Y and down 1.7% YTD from 2011.

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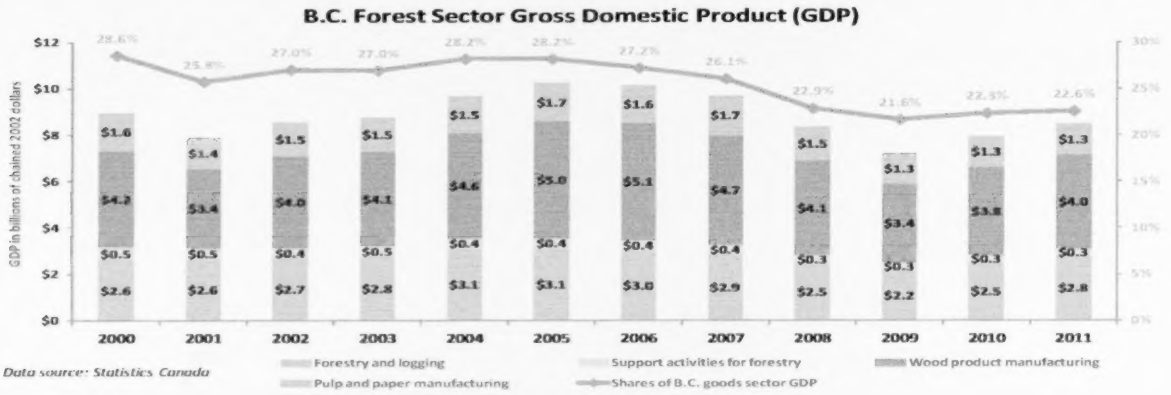
A CLOSE LOOK AT B.C. FOREST SECTOR GDP



B.C. Forest Sector GDP (in billions of chained 2002 $)

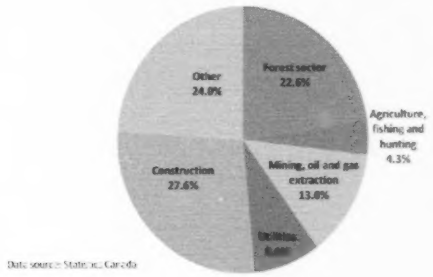
2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
$9.0	$7.9	$8.6	$8.7	$9.7	$10.2	$10.1	$9.7	$8.4	$7.2	$7.9	$8.5

Gross domestic product, or GDP, is commonly used to measure the size and growth of the economy, including its sectors and industries. GDP is a measure of the value added by productive activities.

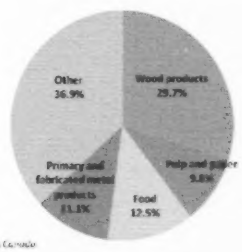
The above chart shows that the B.C. forest sector experienced a full business cycle in the past decade – it peaked at $10.2 billion in 2005 and, after the U.S. housing bubble burst, dropped to $7.2 billion in 2009. With the recovery in 2010 and 2011, mainly driven by strong demand from China, forest sector GDP climbed back to $8.5 billion in 2011, just shy of the average of $8.8 billion over the past 12 years.

With growth in other parts of B.C.'s diversifying economy, the forest sector declined from 7.4% to 5.4% of total B.C. GDP between 2000 ($121.5 billion) and 2011 ($157.5 billion), and from 28.6% to 22.6% of the B.C. goods sector GDP.

B.C. Goods Sector GDP ($37.5 billion) in 2011



B.C. Manufacturing Industries GDP ($13.6 billion) in 2011



The first pie chart shows the shares of the B.C. goods sector GDP ($37.5 billion in 2011). The forest sector (22.6%) was second to the construction sector (27.6%). The forest sector includes four industries: forestry and logging, support activities related to forestry (such as firefighting, pest control and reforestation), wood products manufacturing and pulp and paper manufacturing.

Manufacturing industries GDP ($13.6 billion in 2011) is about one third of the goods sector GDP. The second pie chart shows that wood products manufacturing (29.7%) was the largest manufacturing industry, and that the two forest-based manufacturing industries combined accounted for nearly 40% of manufacturing industries GDP.

How GDP is measured

GDP can be calculated in three ways: by summing incomes earned by individuals, governments and businesses (the income account); by summing their final expenditures (the expenditure account); or by calculating the value added to the economy by each industry (the industry account).

In the industry account, estimates of GDP are calculated by subtracting the cost of raw materials, other goods and purchased services from the value of each industry's total production. GDP includes the value added to the materials, goods and service inputs by labour (wages and unincorporated business income) and capital (profits and other operating surplus, including royalties such as stumpage fees). GDP by industry is measured at basic prices, which reflects the value from the producer's perspective. This includes taxes net of subsidies on factors of production (e.g., property taxes). Taxes on products (e.g., excise taxes) are not included.

BC Stats reports the inflation-adjusted GDP in chained 2002 dollars. The chained dollars show how much the actual output of an industry has changed over time, after the effect of price changes since 2002 in the value of inputs and outputs has been taken into account. Using chained data, it is possible to compare growth across industries in a consistent manner.

Data for the forest sector is derived from various sources, including the Annual Survey of Manufactures and Logging, Statistics Canada's Industry Product Price Index, and various indicators of forest sector activity such as timber scaled (*source: BC Stats*).

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DATA SUMMARY

Selected Monthly Economic Statistics - April 2012

	Latest Month		Month Ago	M/M Change	Year Ago	Y/Y Change	Current YTD	Previous YTD	YTD/YTD* Change
Lumber Prices *(US$/000 bd ft)*									
SPF 2x4	*Apr 12*	**$280**	$278	0.8%	$258	8.4%	$269	$289	-7.1%
Random Lengths Lumber Composite	*Apr 12*	**$303**	$298	1.7%	$275	10.1%	$291	$292	-0.2%
SPF 2x10	*Apr 12*	**$315**	$314	0.4%	$301	4.7%	$310	$326	-4.8%
SPF Stud	*Apr 12*	**$297**	$281	5.6%	$260	14.3%	$275	$273	0.7%
Cedar 2x4	*Apr 12*	**$635**	$630	0.8%	$638	-0.5%	$631	$647	-2.4%
Hemlock Squares	*Apr 12*	**$805**	$802	0.4%	$810	-0.6%	$814	$793	2.7%
Panel Prices *(US$/000 sq ft)*									
Plywood	*Apr 12*	**$348**	$347	0.5%	$312	11.5%	$331	$310	6.9%
OSB	*Apr 12*	**$213**	$218	-2.7%	$199	6.8%	$207	$204	2.0%
Pulp & Paper Prices *(US$/tonne)*									
NBSK Pulp	*Apr 12*	**$850**	$836	1.7%	$991	-14.2%	$837	$963	-13.2%
Newsprint (U.S. Eastcoast)	*Apr 12*	**$623**	$623	0.0%	$626	-0.4%	$623	$627	-0.5%
$/US$ Exchange Rate	*Apr 12*	**0.9926**	0.9939	-0.1%	0.9582	3.6%	0.9991	0.9791	2.0%
Housing Starts *(000 units)*									
U.S. (Seasonally Adjusted Annual Rates)	*Apr 12*	**717**	699	2.6%	552	29.9%	714	576	24.0%
Canada	*Apr 12*	**245**	215	14.0%	190	28.8%	216	180	20.0%
Japan (Wood-based)	*Mar 12*	**36**	36	0.1%	35	0.5%	106	105	1.5%
B.C. Timber Harvest Volume** *(000 m^3)*	*Jan 12*	**6,881**	6,466	6.4%	7,051	-2.4%	6,881	7,051	-2.4%
Coast Crown land	*Jan 12*	**671**	893	-24.9%	684	-1.9%	671	684	-1.9%
Interior Crown land	*Jan 12*	**5,736**	5,153	11.3%	5,894	-2.7%	5,736	5,894	-2.7%
Total private/federal land	*Jan 12*	**475**	420	12.9%	474	0.2%	475	474	0.2%
B.C. Lumber Production *(000 m^3)*	*Mar 12*	**2,598**	2,508	3.6%	2,470	5.2%	7,553	7,131	5.9%
Coast	*Mar 12*	**329**	315	4.4%	267	23.4%	967	808	19.7%
Interior	*Mar 12*	**2,269**	2,193	3.5%	2,204	3.0%	6,586	6,323	4.2%
B.C. Market Pulp Shipments *(000 tonne)*	*Mar 12*	**415**	380	9.2%	434	-4.4%	1,208	1,163	3.9%
B.C. Forest Product Manufacturing Sales *(million $)*	*Mar 12*	**$936**	$862	8.5%	$862	8.5%	$2,612	$2,818	-7.3%
Wood Products	*Mar 12*	**$518**	$449	15.4%	$449	15.4%	$1,425	$1,467	-2.9%
Pulp & Paper Products	*Mar 12*	**$418**	$413	1.1%	$413	1.1%	$1,187	$1,350	-12.1%
B.C. Forest Product Export Value *(million $)*	*Mar 12*	**$882**	$780	13.1%	$932	-5.3%	$2,392	$2,414	-0.9%
Wood Products (*incl. log exports*)	*Mar 12*	**$522**	$454	14.9%	$518	0.7%	$1,367	$1,317	3.7%
Pulp & Paper products	*Mar 12*	**$360**	$326	10.6%	$414	-12.9%	$1,025	$1,096	-6.5%
Shares of B.C. Forest Product Export Value *(%)*									
U.S.	*Mar 12*	**40.4%**	41.6%	-2.8%	37.1%	8.8%	40.3%	38.3%	5.4%
China	*Mar 12*	**32.4%**	31.0%	4.6%	33.0%	-1.6%	32.9%	32.6%	0.9%
Japan	*Mar 12*	**10.9%**	11.9%	-7.9%	10.8%	1.6%	10.8%	10.8%	-0.8%
Other	*Mar 12*	**16.2%**	15.5%	4.5%	19.2%	-15.2%	16.0%	18.3%	-12.3%
B.C. Stumpage *(million $)*	*Jan 12*	**$24.5**	$21.1	16.1%	$25.3	-3.0%	$24.5	$25.3	-3.0%
Coast	*Jan 12*	**$3.1**	$4.6	-32.8%	$4.3	-28.2%	$3.1	$4.3	-28.2%
Interior	*Jan 12*	**$21.4**	$16.5	29.6%	$21.0	2.2%	$21.4	$21.0	2.2%
B.C. Forest Sector Employment (LFS) *(000 jobs)*	*Apr 12*	**57.1**	43.9	30.1%	55.7	2.5%	50.4	53.2	-5.2%
Forestry & Logging	*Apr 12*	**18.3**	13.0	40.8%	10.5	74.3%	14.7	11.2	31.2%
Wood Products	*Apr 12*	**25.9**	22.2	16.7%	35.5	-27.0%	25.8	31.8	-18.9%
Paper Products	*Apr 12*	**12.9**	8.7	48.3%	9.7	33.0%	9.9	10.2	-2.7%

** based on calendar year, change % from the same year-to-date period of the previous. year to the year-to-date of current year. ** Preliminary data and subject to change.*

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